

SENATE BILL REPORT

SB 6111

As Reported By Senate Committee On:
Natural Resources, Ocean & Recreation, February 26, 2007
Ways & Means, February 27, 2008

Title: An act relating to generating electricity from tidal and wave energy.

Brief Description: Concerning electricity generation from tidal and wave energy.

Sponsors: Senators Hobbs, Poulsen, Jacobsen and Tom.

Brief History:

Committee Activity: Natural Resources, Ocean & Recreation: 2/22/07, 2/26/07 [DPS-WM].

Ways & Means: 1/22/08, 2/27/08 [DP2S, w/oRec].

SENATE COMMITTEE ON NATURAL RESOURCES, OCEAN & RECREATION

Staff: Curt Gavigan (786-7437)

Majority Report: That Substitute Senate Bill No. 6111 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Jacobsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Fraser, Hargrove, Poulsen, Stevens and Swecker.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6111 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Schoesler.

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Examples of such

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instances include purchases made in other states and purchases from sellers who do not collect Washington sales tax. Sales and use taxes are levied by the state, counties, and cities. Rates vary between 7 and 8.9 percent, depending on the location in the state. Use tax is paid directly to the Department of Revenue.

Under current law there is an exemption from the retail sales and use taxes for machinery and equipment used directly to generate at least 200 watts of electricity using wind or solar energy, landfill gas, or fuel cells as a power source. Current law also provides a tax deduction for production costs of energy produced by energy production facilities using renewable resources.

Summary of Bill (Recommended Second Substitute): The Department of Ecology (Ecology) must establish a stakeholder work group on tidal and wave energy consisting of several agencies, industry groups, research groups, utilities, and the Northwest Indian Fisheries commission. The workgroup is to facilitate stakeholder review of issues related to the siting of tidal and wave energy projects.

At a minimum they will review:

- state and federal regulatory requirements and ways to improve the timeline of reviews of proposed projects;
- determine the scope of an appropriate programmatic environmental analysis; and
- current state policies regarding such projects and the need, if any, for a state policy.

The work group will report to the appropriate committees in the Senate and House of Representatives by December 31, 2008.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): The sales tax and business and occupation tax incentives for tidal and wave energy were removed from the bill. The stakeholder group is headed by Ecology instead of the Ruckelshaus Center.

EFFECT OF CHANGES MADE BY NATURAL RESOURCES, OCEAN & RECREATION COMMITTEE (Recommended First Substitute): Ecology must contract with the William D. Ruckelshaus Center to organize and facilitate a stakeholder review of issues relating to the siting and operation of tidal and wave energy projects. The review must consider the efforts of the interagency work group that has been working on this issue over the past year. The report is due December 31, 2008.

Appropriation: None.

Fiscal Note: Requested on February 21, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Natural Resources, Ocean & Recreation): PRO: Washington State can be a leader in the tidal and wave energy arena in the United States. We think tidal and wave energy generation should be examined to see how Washington citizens can benefit. Snohomish County Public Utilities District (PUD) has applied for seven permits to study this issue.

DNR's role is proprietary, not regulatory in the leasing of aquatic lands. We continue to work with all applicants at the earliest opportunity as they begin the permitting process at the state and federal level. DNR fully supports the intent of this bill and have some suggestions on how to improve the legislation and will work with the sponsor and chair to that end.

CON: There is a claim race for permit applications for tidal or wave energy in Washington. We need to realize that there are many similarities between the race and pressure for moving to implement tidal and wave under way now with the same pressures there were to rush to hydro-power that led us to have as many dams that we do. The dams have significant impact that we did not realize at the time the state pushed forward, let us not make the same mistake again. This issue needs longer review and study.

Persons Testifying (Natural Resources, Ocean & Recreation): PRO: Senator Hobbs, prime sponsor; Fran McNair, DNR; Dana Toulson, Snohomish County PUD.

CON: Mike Racine, Washington Scuba Alliance.

Staff Summary of Public Testimony on First Substitute Bill (Ways & Means): PRO: We support extending the tax breaks to wave and tidal power as these sources are expensive. We think the sunset date should be extended. We would like to see this tax break also extended to biomass. These tax breaks will help reduce competitive disadvantages and will help utilities to diversify and conform to I-937. This is important to Snohomish County PUD as we are experiencing low growth and it will help us conform to I-937. This would provide clean energy that is renewable. We have permits for studying seven sites in the Puget Sound. We have done extensive outreach on tidal energy with many different groups. We agree with the extension of the sunset. I would suggest that the working group that is currently working on this issue through the Governor's Office be preserved in addition to or in lieu of the Ruckelshaus study.

Persons Testifying (Ways & Means): PRO: Carrie Dowick, Northwest Energy Coalition; Craig Collar, Snohomish Public Utility District.